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**TANGIPAHOA WATER DISTRICT  
TANGIPAHOA PARISH COUNCIL**

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**ANNUAL FINANCIAL STATEMENTS**

**As of December 31, 2012 and for the Year Then Ended  
With Supplemental Information Schedules**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 09 2013

**PHIL HEBERT  
CERTIFIED PUBLIC ACCOUNTANT  
A PROFESSIONAL ACCOUNTING CORPORATION**

**Tangipahoa Water District  
Tangipahoa Parish Council**

**Annual Financial Statements  
December 31, 2012  
With Supplemental Information and Schedules**

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**Tangipahoa Water District  
Tangipahoa Parish Council**

**Annual Financial Statements  
December 31, 2012  
With Supplemental Information and Schedules**

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## **Independent Auditor's Report**

Board of Commissioners  
Tangipahoa Water District  
Tangipahoa Parish Council

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the business-type activities of the Tangipahoa Water District, Natalbany, Louisiana, a component unit of the Tangipahoa Parish Council, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

# Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Tangipahoa Water District as of December 31, 2012, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 13 and 39 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

# Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

## ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, I have also issued my report dated June 27, 2013 on my consideration of the Tangipahoa Water District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tangipahoa Water District's internal control over financial reporting and compliance.

Sincerely,

*Phil Hebert*

Phil Hebert, CPA

A Professional Accounting Corporation

June 27, 2013

## **Management's Discussion and Analysis**

## **Tangipahoa Water District**

### **Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011**

#### **Introduction**

The Tangipahoa Water District (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and related standards.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the District's financial statements, which follow management's discussion and analysis.

#### **Financial Highlights**

- At December 31, 2012, total assets were \$34,863,066, and exceeded liabilities in the amount of \$9,524,218 (i.e. net position). Of the total net position, \$2,069,405 was unrestricted and available to support short-term operations. The balance of \$7,454,813 was the net investment in capital assets.
- For the year ended December 31, 2012, user fee revenues (water sales) increased to \$4,608,804 as compared to \$4,247,115 for the fiscal year ending December 31, 2011. Water rates were not changed during the year. Residential customers increased by approximately three percent.
- The District's operating expenses, other than depreciation and amortization expense, decreased by (\$45,810) or two percent to \$2,223,040 as compared to \$2,268,850 for the prior fiscal year. The major components of the decrease included decreases of \$23,946 for chlorination, \$43,708 for abandoned well sites, \$25,896 for repairs and maintenance, and \$24,079 in utilities. Increases included \$6,755 for billing costs, \$31,037 for salaries, and \$15,624 for water well maintenance supplies.
- Property, plant, and equipment increased by \$2,311,234 (net of accumulated depreciation) with the largest increase due to construction in progress additions on the Pumpkin Center Project of \$2,315,092. Other additions included \$516,987 for water meters and \$427,037 for other system improvements. Current year depreciation expense of \$1,103,084 reduced the overall net increase in property, plant and equipment.
- Long-term debt decreased by principle payments of \$490,000. Interest payments of \$718,133 were made. Total long term debt from bonds was \$23,515,000 at December 31, 2012 prior to unamortized discounts and premiums.



## **Tangipahoa Water District**

### **Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011**

- For the year ended December 31, 2012, the District adopted GASB 63 and GASB 65. GASB 63 changes the term net assets to net position. GASB 65 requires bond issuance costs, other than insurance costs to be expensed in the period incurred. The effect of this change created a reduction in net position of \$915,336. The comparative information for 2011 has been adjusted to reflect these changes.

#### **Overview of the Annual Financial Report**

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Tangipahoa Water District's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Balance Sheet provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for the revenues and expenses for the fiscal year, and provides information on how net position changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its cost through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule and key information schedules on operation of the District.

#### **Financial Analysis**

The purpose of financial analysis is to help determine whether Tangipahoa Water District is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Balance Sheet, and the Statement of Revenues, Expenses, and Changes in Net Position, are presented below in condensed format. These statements report the net position, the difference between assets and liabilities, and the change in net position, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

# Tangipahoa Water District

## Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011 Condensed Balance Sheet 2012 and 2011

	2012	Restated 2011	Dollar Change	Percent Change
<b>Assets:</b>				
Current and Other Assets	\$ 7,208,852	\$ 8,381,766	\$ (1,172,914)	-14%
Capital Assets	<u>27,654,214</u>	<u>25,342,980</u>	<u>2,311,234</u>	9%
<b>Total Assets</b>	<u><u>34,863,066</u></u>	<u><u>33,724,746</u></u>	<u><u>1,138,320</u></u>	3%
<b>Liabilities:</b>				
Long-Term Debt Outstanding	23,391,483	23,878,523	(487,040)	-2%
Other Liabilities	<u>1,947,365</u>	<u>1,506,949</u>	<u>440,416</u>	29%
<b>Total Liabilities</b>	<u><u>25,338,848</u></u>	<u><u>25,385,472</u></u>	<u><u>(46,624)</u></u>	0%
<b>Net Position:</b>				
Investment in Capital Assets	7,454,813	6,341,835	1,112,978	18%
Restricted for Capital				
Activity and Debt Service	-	-	-	-
Unrestricted	<u>2,069,405</u>	<u>1,997,439</u>	<u>71,966</u>	4%
<b>Total Net Position</b>	<u><u>\$ 9,524,218</u></u>	<u><u>\$ 8,339,274</u></u>	<u><u>\$ 1,184,944</u></u>	14%

The major components of the change in "Current and Other Assets" are generated from decreases in cash, primarily from decreases in the system's restricted capital improvement account restricted from unspent bond proceeds, designated and expended for the Pumpkin Center area project. Restricted cash for this project was reduced from \$5,003,855 to \$3,315,599. Water billing receivables increased approximately \$58,000.

Long Term Debt decreased due to the bond principal payments of \$490,000. Other liabilities increased from accounts payable \$49,000, due to sewer districts \$42,000, construction payable \$209,000, customer deposits payable \$41,000 and retainable payable \$85,000.

"Total Net Position" (total assets less total liabilities) increased by \$1,184,944 for the fiscal year ending December 31, 2012. As components of this change, operating revenues increased eight percent, operating expenses decreased less than one percent.

# Tangipahoa Water District

## Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011 Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2012</u>	<u>Restated 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Revenues:</b>		Restated		
Operating Revenues	\$ 5,114,114	\$ 4,721,014	\$ 393,100	8%
Nonoperating Revenues	<u>125,186</u>	<u>65,560</u>	<u>59,626</u>	91%
<b>Total Revenues</b>	<u>5,239,300</u>	<u>4,786,574</u>	<u>452,726</u>	9%
<b>Expenses:</b>				
Depreciation Expense and Amortization	1,113,183	1,114,913	(1,730)	0%
Other Operating Expense	2,223,040	2,268,850	(45,810)	-2%
Nonoperating Expense	<u>718,133</u>	<u>1,279,015</u>	<u>(560,882)</u>	-44%
<b>Total Expenses</b>	<u>4,054,356</u>	<u>4,662,778</u>	<u>(608,422)</u>	-13%
<b>Changes in Net Position</b>	1,184,944	123,796	1,061,148	857%
<b>Beginning Net Position</b>	9,254,610	8,708,123	546,487	6%
Prior Period Adjustments	<u>(915,336)</u>	<u>(492,645)</u>	<u>1,407,981</u>	100%
<b>Ending Net Position</b>	<u>\$ 9,524,218</u>	<u>\$ 8,339,274</u>	<u>\$ 1,184,944</u>	14%

While the Balance Sheet shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes.

- Total "Operating Revenues" (including water sales and revenues related to providing water and related services to customers) increased by eight percent as compared to a six percent increase in the prior year. There was an increase of 533 customers (three percent) for the fiscal year ended. There was an overall decrease of one percent for total operating expenses which included a four percent increase in salaries of \$31,000 and decreases of \$43,708 for abandoned well sites, \$23,946 for chlorination and \$25,896 for repairs and maintenance.
- The nonoperating expense decrease is related to bond issue costs of \$435,445 in 2011 being reclassified in accordance with current GASB standards, and a decline in interest expense of \$125,437, although \$272,551 of construction interest was included in construction in progress additions on the Pumpkin Center project which is not included in the changes in net position, because it is on the balance sheet.

## **Tangipahoa Water District**

### **Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011**

One of the methods for viewing changes from year-to-year is to compare revenue and expense data calculated per customer. For the data presented below, there were 16,729 and 16,196 customers at December 31, 2012 and 2011 respectively. This represents an increase in customers of three percent from the prior fiscal year. This information below is often used by lenders to calculate the water rates required to cover operating expenses and debt service requirements. The following table presents comparative data, computed as average monthly revenue and expenses, for the fiscal years ending December 31, 2012 and 2011.

#### **Revenue and Expense Data Per Customer**

	December 31, 2012	December 31, 2011	Increase (Decrease)
Water Sales	\$ 22.96	\$ 21.85	\$ 1.11
Operating Revenues	25.48	24.29	1.19
Total Revenues	26.10	24.63	1.47
Operating Expenses	16.62	17.41	(0.79)
Total Expenses	\$ 20.20	\$ 23.99	\$ (3.79)

The data provides information on trends in revenue and expenses per customer, but should be reviewed over an extended period. With the continued increase in the number of customers, the District has achieved consistency in revenue and expense trends. This data should be reviewed for long-term trends.

#### **Budgetary Highlights**

Tangipahoa Water District adopts an annual operating budget to provide for effective management of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. Although presentation of budgetary highlights is not a required disclosure within *Management's Discussion & Analysis* for enterprise funds, this disclosure is permitted and is presented since budgetary review is essential to successful operation of a water district. A summary of the approved budget is presented below in condensed format summarizing major revenue and expense categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

## **Tangipahoa Water District**

### **Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011 Budget vs. Actual - Fiscal Year Ended December 31, 2012**

	<u>Budget Year ended December 31, 2012</u>	<u>Actual Year ended December 31, 2012</u>	<u>Favorable (Unfavorable) Variance</u>
<b>Revenues:</b>			
Operating Revenues	\$ 5,101,774	\$ 5,114,114	\$ 12,340
Nonoperating Revenues	<u>125,216</u>	<u>125,186</u>	<u>(30)</u>
<b>Total Revenues</b>	<u>5,226,990</u>	<u>5,239,300</u>	<u>12,310</u>
<b>Expenses:</b>			
Depreciation Expense	1,103,797	1,103,084	713
Other Operating Expense	2,278,162	2,233,139	45,023
Nonoperating Expense	<u>962,118</u>	<u>718,133</u>	<u>243,985</u>
<b>Total Expenses</b>	<u>4,344,077</u>	<u>4,054,356</u>	<u>289,721</u>
<b>Income (Loss)</b>	<u>\$ 882,913</u>	<u>\$ 1,184,944</u>	<u>\$ 302,031</u>

Total revenues exceeded budgeted by less than one percent. Total expenses were below budgeted by approximately seven percent. Budgets for operating expense accounts were amended at fiscal year-end to reflect increased costs of operation as the system is expanded and new customers are added.

#### **Other Significant Trends and Account Changes**

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

#### **General Operating Data**

One key measure of a water district's profitability is the ability to generate positive cash flows and to collect accounts receivable on a timely basis. Presented on the next page is an aged receivable listing for the fiscal years ending December 31, 2012 and 2011.

## Tangipahoa Water District

### Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011

	Year Ended December 31, 2012	Year Ended December 31, 2011	Increase (Decrease)
<b>Accounts Receivable</b>			
Current	\$ 206,566	\$ 198,137	\$ 8,429
31-60 Days Past Due	40,219	40,233	(14)
61-90 Days Past Due	12,458	8,598	3,860
Over 90 Days Past Due	3,352	2,518	834
<b>Subtotal</b>	262,595	249,486	13,109
Allowance for Uncollectible Accounts	(10,298)	(9,029)	(1,269)
Sewer and Garbage Receivables	275,766	229,157	46,609
<b>Net Accounts Receivable</b>	<u>\$ 528,063</u>	<u>\$ 469,614</u>	<u>\$ 58,449</u>

The District continued efforts in collecting bills and in writing off accounts as they became past due. Increased rates for water billings are the primary driver of the increased receivables at year end.

#### Capital Assets and Debt Administration

At the end of the fiscal year ending December 31, 2012, Tangipahoa Water District had \$27,654,214 (net of accumulated depreciation) recorded in capital assets. This includes water utility systems and improvements, in the southern end of the parish. Other significant capital assets include the District's improvements for water system equipment and supplies, and equipment and machinery, including vehicles, for water system operation. The changes in capital assets are presented in the table below.

	December 31, 2012	December 31, 2011	Increase (Decrease)	Percentage Change
<b>Capital Assets</b>				
Land	\$ 254,900	\$ 226,400	\$ 28,500	13%
Water Distribution System	35,092,664	34,143,840	948,824	3%
Buildings and Improvements	576,080	548,241	27,839	5%
Equipment	1,063,255	999,858	63,397	6%
Furniture and Fixtures	11,482	11,482	-	0%
Construction in Progress	2,357,505	42,414	2,315,091	100%
<b>Subtotal</b>	39,355,886	35,972,235	3,383,651	9%
Less: Accumulated Depreciation	(11,701,672)	(10,629,255)	(1,072,417)	10%
<b>Net Capital Assets</b>	<u>\$ 27,654,214</u>	<u>\$ 25,342,980</u>	<u>\$ 2,311,234</u>	9%

## **Tangipahoa Water District**

### **Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011**

The major increases during the fiscal year ending December 31, 2012, were for construction in progress additions on the Pumpkin Center Project of \$2,315,092. Construction in progress additions included contractor and engineering costs of \$1,995,581, retainage of \$84,758, and construction interest of \$234,753.

Other additions included \$516,987 for water meters and \$427,037 for other system improvements. Equipment additions included trucks and equipment of \$59,301, \$17,239 for SCADA project equipment and \$28,500 for land in Pumpkin Center for the project.

Current year depreciation expense of \$1,103,084 reduced the overall net increase in property, plant, and equipment.

#### **Long-Term Debt**

The primary source of long-term financing for Tangipahoa Water District water system improvements was in the revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS). All RUS bonds were refunded with the Series 2011 bond issues, dated November 10, 2011, totaling \$12,475,000. The Series 2011 Bonds consisted of three separate issues - Series 2011A (issued at \$4,515,000) and the Series 2011 B (issued at \$2,595,000) were refunding issues, refunding the outstanding RUS bonds at more favorable terms. The Series 2011 C bond (issued at \$5,365,000) provided funds for construction improvements, primarily water and tank improvements for the Pumpkin Center area. The Series 2011 bonds were issued in parity with the two remaining debt issues from private lenders consisting of Water Revenue Refunding Bonds, Series 2006, and Construction Revenue and Refunding Bonds, Series 2007. The footnotes to the financial statements provide more detail on debt financing.

Bonds financed for Tangipahoa Water District, require a specific debt to net income ratio. With the issuance of the Water Revenue Refunding Bonds, Series 2006, and the Construction Revenue and Refunding Bonds, Series 2007, Tangipahoa Water District covenants to fix, establish, maintain and collect such rates, fees, rents, or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each Fiscal Year sufficient to pay the reasonable and necessary expenses of operating and maintaining the System in each Fiscal Year and as will provide Net Revenues at least equal to 120% of the principal and interest falling due in such year on all bonds or other obligations payable from the System and as will provide revenues at least sufficient to pay all reserve or sinking funds or other payments required for such fiscal year by this Resolution and all obligations or indebtedness payable out of the Revenues during such year, and that such rates, fees, rents or other charges shall not at any time be reduced as to be insufficient to provide adequate Revenues for such purposes. For the fiscal year ended, the Tangipahoa Water District recorded "Net Revenues" exceeding the "120%" requirement per applicable bond covenants. "Net Revenues", per applicable bond provisions, means the revenues, after provision has been made for the payment for the reasonable and necessary expenses of maintaining and operating the system.

## **Tangipahoa Water District**

### **Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011**

The footnotes to the financial statements provide detail of the long-term debt balance and the related changes in total Net Position as presented below:

	December 31, 2012	December 31, 2011
Total Long-Term Debt	\$ 23,391,483	\$ 23,878,523
Total Net Position	9,524,218	8,339,274
Ratio of Long Term Debt to Net Position	2.46	2.86

#### **Future Economic Plans**

In an effort to meet the needs of existing customers and to respond to the demands of a growing community, the Board of Commissioners of Tangipahoa Water District created a "Long-Range Committee" to identify and prioritize those areas for which construction projects would benefit residents of Tangipahoa Parish. The committee meets periodically with the system engineer to formalize these plans, and to review cost estimates.

#### **Requests for Information**

This financial report is designed to provide a general overview of Tangipahoa Water District's finances and to demonstrate the District's accountability. If you have questions regarding this report or need additional information, contact the District at 46463 North Morrison, Natalbany, LA 70451. The phone number for the District is (985) 345-6457.



## **Financial Statements**

**Tangipahoa Water District**  
**Balance Sheet**  
**As of December 31, 2012 and 2011**

**Statement A**

	<u>2012</u>	<u>Restated 2011</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents - Operating	\$ 2,133,391	\$ 1,736,062
Receivables, Net:		
Accounts	528,063	469,614
Accrued Billings	254,398	262,304
Other	4,799	55,736
Inventory	98,365	82,023
Prepaid and Other Assets	49,934	45,200
Total Current Assets	<u>3,068,950</u>	<u>2,650,939</u>
<b>Restricted Assets:</b>		
Restricted Cash and Cash Equivalents	<u>3,879,605</u>	<u>5,460,431</u>
Total Restricted Assets	<u>3,879,605</u>	<u>5,460,431</u>
<b>Property, Plant and Equipment</b>		
Land	254,900	226,400
Construction in Progress	2,357,505	42,414
Property, Plant and Equipment, Net	<u>25,041,809</u>	<u>25,074,166</u>
Total Property, Plant, and Equipment	<u>27,654,214</u>	<u>25,342,980</u>
<b>Other Assets</b>		
Bond Issue Insurance Costs and Other	<u>260,297</u>	<u>270,396</u>
Total Other Assets	<u>260,297</u>	<u>270,396</u>
<b>Total Assets</b>	<u>\$ 34,863,066</u>	<u>\$ 33,724,746</u>

(Continued)

The accompanying notes are an integral part of this statement.

**Tangipahoa Water District**  
**Balance Sheet**  
**As of December 31, 2012 and 2011**

**Statement A**

	<u>2012</u>	<u>Restated 2011</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 133,251	\$ 84,176
Compensated Absences Payable	26,576	25,887
Other Accrued Payables	329,668	275,331
Total Current Liabilities (Payable From Current Assets)	<u>489,495</u>	<u>385,394</u>
Current Liabilities (Payable From Restricted Assets):		
Customer Deposits	1,008,346	967,462
Bonds Payable	490,000	485,000
Retainage Payable	84,758	-
Construction Payable	208,544	-
Accrued Interest Payable	156,222	154,093
Total Current Liabilities (Payable From Restricted Assets)	<u>1,947,870</u>	<u>1,606,555</u>
Long Term Liabilities:		
Bonds Payable	22,901,483	23,393,523
Total Long Term Liabilities	<u>22,901,483</u>	<u>23,393,523</u>
<b>Total Liabilities</b>	<u>25,338,848</u>	<u>25,385,472</u>
<b>Net Postion</b>		
Net Investment in Capital Assets	7,454,813	6,341,835
Restricted for:		
Capital Projects and Debt Service	-	-
Unrestricted	2,069,405	1,997,439
<b>Total Net Position</b>	<u>9,524,218</u>	<u>8,339,274</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 34,863,066</u>	<u>\$ 33,724,746</u>

(Concluded)

The accompanying notes are an integral part of this statement.

**Tangipahoa Water District**

**Statement B**

**Statement of Revenues, Expenses, and Changes in Net Position  
For the Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>Restated 2011</u>
<b>Operating Revenues</b>		
Water Sales	\$ 4,608,804	\$ 4,247,115
Tap-In and Service Charges	257,106	250,281
Reconnect Charges	68,341	61,800
Penalty Charges	118,962	106,451
Billing Fees	55,601	50,593
Other	5,300	4,774
<b>Total Operating Revenues</b>	<u>5,114,114</u>	<u>4,721,014</u>
<b>Operating Expenses</b>		
Abandoned Well Site	-	43,708
Amortization	10,099	10,648
Bad Debts	8,922	8,593
Billing Costs	94,314	87,559
Chlorination	139,291	163,237
Computer Expense	22,366	19,850
Depreciation	1,103,084	1,104,265
Director's Expense	28,200	26,850
Employee Expense	15,505	14,390
Insurance - Hospitalization	217,315	210,575
Insurance - Business	125,628	123,289
Meter Reading	105,810	102,518
Office Expense	32,896	39,240
Other	52,842	46,627
Payroll Taxes	56,207	54,619
Professional Fees	49,467	50,453
Repairs and Maintenance	94,553	120,449
Salaries and Wages	768,923	737,886
Retirement Benefits	28,892	28,358
Telephone	26,639	20,143
Utilities	184,992	209,071
Vehicle Expense	104,606	111,387
Water Well Maintenance and Supplies	65,672	50,048
<b>Total Operating Expenses</b>	<u>3,336,223</u>	<u>3,383,763</u>

(Continued)

The accompanying notes are an integral part of this statement.

**Tangipahoa Water District****Statement B****Statement of Revenues, Expenses, and Changes in Net Position  
For the Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>Restated 2011</u>
<b>Operating Income (Loss)</b>	<b>\$ 1,777,891</b>	<b>\$ 1,337,251</b>
<b>Nonoperating Revenues (Expenses)</b>		
Realized Gain (Loss) on Sale of Fixed Assets	6,810	24,927
Bond Issuance Costs Incurred	-	(435,445)
Interest Income	96,718	19,303
Interest Expense	(718,133)	(843,570)
Other Income	21,658	21,330
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(592,947)</b>	<b>(1,213,455)</b>
<b>Changes in Net Position</b>	<b>1,184,944</b>	<b>123,796</b>
<b>Total Net Position, Beginning</b>	<b>9,254,610</b>	<b>8,708,123</b>
Prior Period Adjustments (Note 14)	(915,336)	(492,645)
<b>Total Adjusted Net Position, Beginning</b>	<b>8,339,274</b>	<b>8,215,478</b>
<b>Total Net Position, Ending</b>	<b>\$ 9,524,218</b>	<b>\$ 8,339,274</b>

(Concluded)

The accompanying notes are an integral part of this statement.

**Tangipahoa Water District**

**Statement C**

**Comparative Statement of Cash Flows  
Proprietary Fund Type  
For the Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>Restated 2011</u>
<b>Cash Flows From Operating Activities</b>		
Received From Customers	\$ 5,058,271	\$ 4,561,948
Received for Meter Deposit Fees	40,884	41,040
Other Receipts	103,704	25,326
Payments for Operations	(833,016)	(1,321,478)
Payments to Employees	(1,061,164)	(1,032,066)
Net Cash Provided by Operating Activities	<u>3,308,679</u>	<u>2,274,770</u>
<b>Cash Flows From Noncapital Activities</b>		
Other Receipts	<u>21,658</u>	<u>21,330</u>
Net Cash Provided by Noncapital Activities	<u>21,658</u>	<u>21,330</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from Sale of Capital Acquisitions	6,810	27,696
(Payments) for Capital Acquisitions	(3,181,555)	(843,857)
(Payments) for Bond Issuance Costs	-	(586,031)
Principal Proceeds from Long Term Debt	-	12,475,000
Bond Discount	-	(22,611)
Principal (Repayments) from Long Term Debt	(490,000)	(7,903,340)
Interest Payments for Long Term Debt	(945,807)	(803,778)
Net Cash (Used) by Capital and Related Financing Activities	<u>(4,610,552)</u>	<u>2,343,079</u>
<b>Cash Flows From Investing Activities</b>		
Receipt of Interest	<u>96,718</u>	<u>19,303</u>
Net Cash Provided by Investing Activities	<u>96,718</u>	<u>19,303</u>
<b>Net Cash Increase (Decrease) in Cash and Cash Equivalents</b>	(1,183,497)	4,658,482
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>7,196,493</u>	<u>2,538,011</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 6,012,996</u>	<u>\$ 7,196,493</u>

(Continued)

The accompanying notes are an integral part of this statement.

**Tangipahoa Water District****Statement C****Comparative Statement of Cash Flows****Proprietary Fund Type****For the Years Ended December 31, 2012 and 2011****Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:**

	<u>2012</u>	<u>2011</u>
Cash and Cash Equivalents, Unrestricted	\$ 2,133,391	\$ 1,736,062
Cash and Cash Equivalents, Restricted	3,879,605	5,460,431
Total Cash and Cash Equivalents	<u>\$ 6,012,996</u>	<u>\$ 7,196,493</u>

	<u>2012</u>	<u>Restated 2011</u>
<b>Reconciliation of Operating Income (Loss) to</b>		
<b>Net Cash Provided (Used) by Operating Activities</b>		
Operating Income (Loss)	\$ 1,777,891	\$ 1,337,251
Adjustments to Reconcile Operating Income (Loss) to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,113,183	1,114,913
(Increase) Decrease in Accounts Receivable	(58,449)	(139,017)
(Increase) Decrease in Accrued Billings	7,906	(15,275)
(Increase) Decrease in Due from Other Governments	86,650	32,396
(Increase) Decrease in Other Receivables	11,754	(11,844)
(Increase) Decrease in Inventory	(16,342)	(12,019)
(Increase) Decrease in Prepaid Insurance	(4,734)	(6,338)
Increase (Decrease) in Accounts Payable	49,075	(21,665)
Increase (Decrease) in Compensated Absences	689	1,031
Increase (Decrease) in Accrued Expenses	300,172	(45,703)
Increase (Decrease) in Customer Deposits	40,884	41,040
Net Cash Provided by Operating Activities	<u>\$ 3,308,679</u>	<u>\$ 2,274,770</u>

**(Concluded)**

The accompanying notes are an integral part of this statement.

## **Notes to the Financial Statements**



**Tangipahoa Water District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2012**

**Introduction**

On August 5, 1992, the Tangipahoa Parish Council voted to create a parish wide water District effective November 16, 1992, in accordance with *Louisiana Revised Statute 33:3811*, thus creating the Tangipahoa Water District. The purpose for creating Tangipahoa Water District (hereinafter referred to as the District) was initially to consolidate the existing Water Works District Number 2 of Tangipahoa Parish, but Second Ward Water District and Fourth Ward Water District, two active water districts in the northern part of Tangipahoa Parish, were eventually consolidated into Tangipahoa Water District for continued operation. During the fiscal year ending December 31, 2010, Tangipahoa Water District formally took over operation of the Fluker Water System.

The Tangipahoa Water District is governed by a board of commissioners consisting of eight members. The board is appointed by the parish council and paid according to the number of meetings attended. Tangipahoa Water District encompasses the southern part of Tangipahoa Parish and parts of north Tangipahoa Parish with some exclusions for previously franchised areas of Tangipahoa Parish. At December 31, 2012, Tangipahoa Water District provided service to a total of 16,729 customers.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Tangipahoa Water District is considered a component unit of the Tangipahoa Parish Council.

**1. Summary of Significant Accounting Policies**

**A. Measurement Focus and Basis of Accounting and Financial Statement Presentation**

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as described in the following paragraphs.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements originally including a statement of net assets (or balance sheet), a statement of activities and a statement of cash flows. The definition and composition of these statements, as originally defined in GASB Statement No. 34, are as amended by GASB Statements included in the following paragraphs. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District be presented as a change in net position.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after

**Tangipahoa Water District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2012**

December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net assets by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote J – Net Position*.

The District has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The application of this standard to long-term debt offerings of the District is more fully described in *Footnote I – Long-Term Debt Offering*.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations, primarily the provision of water to rural areas of Tangipahoa Parish. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Tangipahoa Water District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2012**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**B. Cash and Cash Equivalents and Investments**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

**C. Investments**

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The following disclosures are required by GASB Statement No. 31:

- The District uses the quoted market prices to estimate the fair value of investments.
- None of the investments are reported at amortized cost.
- The District has investments in one investment pool. The investment pool is LAMP, and the fair value of the position is the same as the value of the pool shares.
- There is no involuntary participation in an external investment pool.

The District periodically maintains investments in the Louisiana Asset Management Pool (LAMP), a non-profit corporation formed by an initiative of the state treasurer and organized under the laws of Louisiana to operate as a local government investment pool. LAMP invests its assets only in securities and other obligations permissible under Louisiana law for local governments

LAMP is an external investment pool that is not registered with the SEC as an investment company, but nevertheless operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company ACT of 1940. GASB-31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires the reporting of investment positions in 2a-7 like pools (such as LAMP) be based on the pool's share price.

**D. Inventories**

Inventories consist of materials and supplies and are recorded as an expense when consumed. Inventories are valued at cost using the first-in, first-out method.

**Tangipahoa Water District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2012**

**E. Prepaid Items**

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

**F. Restricted Assets**

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

**G. Capital Assets**

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	15 - 30 Years
Equipment and Furniture	5 - 7 Years
Utility System	20 - 50 Years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

**H. Compensated Absences**

The District has the following policy related to vacation and sick leave:

Employees earn five days of paid vacation after working full-time for one year, ten days of paid vacation after working full-time for three years, and fifteen days of paid vacation after working full-time for ten years. Employees are not allowed to accumulate vacation leave, unless there is a business need. Overtime can be earned from the first day of employment.

**Tangipahoa Water District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2012**

GASB-16, *Accounting for Compensated Absences* provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB-16 provides that a liability for sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals. Accordingly, the District has not accrued liability for sick leave.

**I. Long-Term Obligations**

Long-term liabilities are recognized within the Enterprise Fund. The District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, are revised. This standard was intended to compliment GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB Statement 23, as amended, establishes accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt. Refundings involve the issuance of new debt whose proceeds are used to repay previously issued ("old") debt. The new debt proceeds may be used to repay the old debt immediately (a current refunding); or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). As described in paragraphs 3 and 4 of GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, an advance refunding may result in the in-substance defeasance of the old debt provided that certain criteria are met.

For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Paragraph 187 of GASB Statement 62 establishes standards of accounting and financial reporting for debt issuance costs. Paragraph 12 of Statement 7 indicates that debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses). Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred.

**Tangipahoa Water District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2012**

Prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

For the District, bond issue costs for existing bonds at December 31, 2012 are recognized as a prior period adjustment per *Footnote 14 – Prior Period Adjustments*.

**J. Net Position**

GASB Statement No. 34, Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments, requires classification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position:

- **Net Investment in Capital Assets Component of Net Position** - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Rather, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent proceeds.
- **Restricted Component of Net Position** - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted Components of Net Position** - This component of net position consists of net assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Tangipahoa Water District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2012**

**K. Comparative Data/Reclassifications**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**L. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

**M. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

At December 31, 2012, the District has cash and cash equivalents (book balances) as follows:

Interest-Bearing Demand Deposits	\$ 6,012,996
	<u>\$ 6,012,996</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2012, the District has \$6,287,690 in deposits (collected bank balances). These deposits were in a single financial institution with cash deposits secured by \$250,000 of federal deposit insurance and an excess of pledged securities held by the custodial bank pledged to the District's account (GASB Category 2) to cover the remaining deposits of \$6,037,690.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

**Tangipahoa Water District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2012**

**Custodial Credit Risk – Deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At December 31, 2012, \$6,037,690 of the District's balance of \$6,287,690 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

**3. Receivables**

The following is a summary of receivables at December 31, 2012 and 2011:

	Year Ended December 31, 2012	Year Ended December 31, 2011	Increase (Decrease)
<b>Accounts Receivable</b>			
Current	\$ 206,566	\$ 198,137	\$ 8,429
31-60 Days Past Due	40,219	40,233	(14)
61-90 Days Past Due	12,458	8,598	3,860
Over 90 Days Past Due	3,352	2,518	834
<b>Subtotal</b>	262,595	249,486	13,109
Allowance for Uncollectible Accounts	(10,298)	(9,029)	(1,269)
Sewer and Garbage Receivables	275,766	229,157	46,609
<b>Net Accounts Receivable</b>	<u>\$ 528,063</u>	<u>\$ 469,614</u>	<u>\$ 58,449</u>

The preceding table includes the aging of all receivables billed by the District. Presented first are only those receivables for Tangipahoa Water District billings. Presented below the totals for Tangipahoa Water District are receivables for which the District provides a billing service. Totals for these entities are included in the District's receivables totals, but separately within the above table, since the authority to write off past due amounts must be authorized by the billing clients. Tangipahoa Water District, per ordinances enacted by the Tangipahoa Parish Council, is obligated to provide billing services for Sewerage District No. 1 of Tangipahoa Parish, and also provides billings services for the City of Hammond.

All customers' receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. The Board of Commissioners of Tangipahoa Water District established a monthly allowance for uncollectible accounts, and periodically the board reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility. For the fiscal year ending December 31, 2012 the District had bad debt expense of \$8,922.

Estimated unbilled receivables are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. Accrued billings totaled \$254,398 at December 31, 2012.



**Tangipahoa Water District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2012**

**4. Restricted Assets**

At December 31, 2012 and 2011, the District had restricted assets as follows:

	Year Ended December 31, 2012	Year Ended December 31, 2011
<b>Restricted Assets</b>		
Customer Deposits	\$ 202,069	\$ 134,676
Bond Sinking Account	361,937	321,900
Construction - Bedico Project & Contract "C" Water Lines	3,315,599	5,003,855
<b>Total Restricted Assets</b>	<u>\$ 3,879,605</u>	<u>\$ 5,460,431</u>

**5. Capital Assets**

A summary of changes in capital assets during the fiscal year ending December 31, 2012 is as follows:

	Beginning Balance December 31, 2011	Additions and Reclassifications	Deletions and Reclassifications	Ending Balance December 31, 2012
<b>Capital Assets</b>				
Land	\$ 226,400	\$ 28,500	\$ -	\$ 254,900
Building	548,241	27,839	-	576,080
Equipment	999,858	94,064	(30,667)	1,063,255
Furniture and Fixtures	11,482	-	-	11,482
Water Distribution System	34,143,840	948,824	-	35,092,664
<b>Total Capital Assets in Service</b>	<u>35,929,821</u>	<u>1,099,227</u>	<u>(30,667)</u>	<u>36,998,381</u>
Construction in Progress	42,414	2,315,091	-	2,357,505
<b>Total Capital Assets</b>	<u>35,972,235</u>	<u>3,414,318</u>	<u>(30,667)</u>	<u>39,355,886</u>
Less: Accumulated Depreciation	(10,629,255)	(1,103,084)	30,667	(11,701,672)
<b>Total Capital Assets, Net</b>	<u>\$ 25,342,980</u>	<u>\$ 2,311,234</u>	<u>\$ -</u>	<u>\$ 27,654,214</u>

During the fiscal year ending December 31, 2012, the major increases during the fiscal year ending December 31, 2012, were for construction in progress additions on the Pumpkin Center Project of \$2,315,091. These were funded from cash through the Series 2011C bond issue. Construction in progress additions included contractor and engineering costs of \$1,995,581, retainage of \$84,758, and construction interest of \$234,753. Other additions included \$516,987 for water meters and \$427,037 for other system improvements. Equipment additions included trucks and equipment of \$59,301, \$17,239 for SCADA project equipment and \$28,500 for land

**Tangipahoa Water District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2012**

in Pumpkin Center for the project. Two fully depreciated pickup trucks were sold for proceeds of approximately \$6,500.

All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 2012 totaled \$1,103,084.

**6. Other Current Liabilities**

At fiscal year-end, the District recorded the following short-term liabilities classified on the balance sheet as "Other Accrued Payables":

	December 31, 2012	December 31, 2011
Other Accrued Payables:		
Due to Other Districts - Billing Fees and Services	\$ 281,016	\$ 233,549
Accrued Wages	21,602	12,118
Accrued Audit Fees	13,913	12,500
Accrued Compilation Fees	13,670	13,500
Other Accrued Payables	(533)	3,664
Total Other Accrued Payables	<u>\$ 329,668</u>	<u>\$ 275,331</u>

**7. Compensated Absences**

At December 31, 2012, employees of Tangipahoa Water District have accumulated and vested \$26,576 of employee leave benefits, consisting of accrued vacation leave computed in accordance with GASB Codification Section C60. This accrual represents the value of vacation leave benefits at fiscal year-end including the value of any leave accrual that must be taken by the employee within the employees annual anniversary hire date. In addition, the District recorded \$21,602 in accrued wages at fiscal year-end.

**8. Retirement Program**

On January 27, 1994, the Board of Commissioners of the Tangipahoa Water District adopted the *Louisiana Public Employees Deferred Compensation Plan*, with the provision that Tangipahoa Water District, the employer, will match employee contributions, up to five percent of gross wages. The contribution by the employer will be re-established by the Board of Commissioners before the beginning of each fiscal year. Under the terms of the *Louisiana Public Employees Deferred Compensation Plan*, an employee may contribute up to a maximum of 25 percent of adjusted gross income, not to exceed \$8,000 per calendar year. A special "catch-up" provision may be used to save up to \$15,000 per year for the three years prior to retirement.

**Tangipahoa Water District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2012**

As reported by the State of Louisiana Deferred Compensation Program, for the fiscal year ending December 31, 2012, the aggregate account balance of employees' of Tangipahoa Water District participating in the plan was \$803,056 as compared to \$691,248 for the fiscal year ending December 31, 2011. Employer contributions for the fiscal year ending December 31, 2012 totaled \$28,892, as compared to \$28,358 for the fiscal year ended December 31, 2011.

**9. Long-Term Obligations**

The following is a summary of long-term obligation transactions for the year ended December 31, 2012:

Description	Beginning Balance (Restated)	Additions	Deletions	Ending Balance	Due Within One Year
<b>Long-Term Debt</b>					
2006 Water Revenue Refunding Series 2006	\$ 4,960,000	\$ -	\$ (140,000)	\$ 4,820,000	\$ 145,000
2007 Constr. & Ref. Bonds Series 2007	6,570,000	-	(85,000)	6,485,000	85,000
Water Revenue Refund Bonds, Series 2011 A	4,515,000	-	(175,000)	4,340,000	175,000
Water Revenue Refund Bonds, Series 2011 B	2,595,000	-	(90,000)	2,505,000	85,000
Water Revenue Refund Bonds, Series 2011 C	<u>5,365,000</u>	<u>-</u>	<u>-</u>	<u>5,365,000</u>	<u>-</u>
<b>Total Bonds</b>	<u>\$ 24,005,000</u>	<u>\$ -</u>	<u>\$ (490,000)</u>	<u>\$ 23,515,000</u>	<u>\$ 490,000</u>
 Less: Unamortized Discount (Premium) and Deferred Issue Costs	 (126,477)	 -	 2,960	 (123,517)	 445
 <b>Total Long Term Debt</b>	 <u>\$ 23,878,523</u>	 <u>\$ -</u>	 <u>\$ (487,040)</u>	 <u>\$ 23,391,483</u>	 <u>\$ 490,445</u>

**Tangipahoa Water District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2012**

Bonds Payable as of December 31, 2012 is as follows:

	<u>Bonds Payable</u> <u>End of Year</u>	<u>Due within</u> <u>One Year</u>
Water System Revenue Refund Bonds, \$5,630,000, Series 2006 Refunding Bonds sold to private lender Dated 8/16/2006 due in semi-annual installments of principal and interest averaging \$176,500 through 12/15/2035 interest at ranges from 3.65% to 4.5%	\$ 4,820,000	\$ 145,000
Constr. Revenue & Refunding Bonds, \$6,880,000, Series 2007 Revenue Bonds sold to private lender Dated 9/18/2006 due in semi-annual installments of principal and interest averaging \$127,141 through 4/1/2047 interest at ranges from 3.60% to 4.375%	6,485,000	85,000
Water System Revenue Refund Bonds, \$4,515,000, Series 2011A Refunding bonds sold to private lender, Dated 11/10/2011 due in semi-annual installments of principal and interest averaging \$322,990 11/01/2031 interest at ranges from 2.00% to 4.00%.	4,340,000	175,000
Water System Revenue Refund Bonds, \$2,595,000, Series 2011 B Refunding bonds sold to private lender, Dated 11/10/2011 due in semi-annual installments of principal and interest averaging \$178,408 through 11/1/2034 interest at ranges from 2.00% to 4.125%.	2,505,000	85,000
Water System Revenue Refund Bonds, \$5,365,000, Series 2011 C Refunding bonds sold to private lender, Dated 11/10/2011 due in semi-annual installments of interest averaging \$238,731 through 05/01/2032 interest at ranges from 4.125% to 4.625%, then due in semi-annual installments of interest and principal averaging \$1,349,448 through 11/01/2041.	5,365,000	-
	<u>\$ 23,515,000</u>	<u>\$ 490,000</u>

**Tangipahoa Water District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2012**

On November 10, 2011, Tangipahoa Water District issued Water & Revenue Refunding Bonds, Series 2011, in the amount of \$12,475,000. The Series 2011 bonds consisted of three individual issues - Series 2011A in the amount of \$4,515,000, Series 2011B in the amount of \$2,595,000, and Series 2011C in the amount of \$5,365,000. Series 2011A and Series 2011B were issued to refund existing bond issues. The Series 2011A & Series 2011B bonds are accounted for as "current refundings" since the refunding issues immediately resulted in defeasance of water revenue bonds. Series 2011C was issued to fund construction improvements. The District also provided additional funds to refund prior debt issues.

The Series 2011A Bonds provided funds for the purpose of ..."providing sufficient funds to current refund the outstanding principal amounts of the a) Water Revenue Bond Series 2001, dated November 8, 2001, issued in the original principal amount of \$1,490,000 (the "Series 2001 Bond")," and b) Water Revenue Bonds, Series 2002, dated November 8, 2011, issued in the original principal amount of \$3,820,000 (the "Series 2002 Bond)". Proceeds of the bond issue, in combination with funds provided by the District and the Series 2011B and Series 2011C issues, were also used for purchasing a portion of a reserve fund surety policy, and for paying the costs of issuance of the Series 2011A Bonds.

The Series 2011B Bonds were delivered for the purpose of ..."providing sufficient funds to current refund the outstanding principal amounts of the a) Water Revenue Bond, Series 1999, dated June 10, 1999, issued in the original principal amount of \$2,900,000 (the "Series 1999 Bond"), and Water Revenue Bond, Series 1999A, dated June 10, 1999, issued in the original principal amount of \$300,000 (the "Series 1999 A Bond").

The Series 2011C Bonds were issued in the amount of \$5,365,000 to fund construction projects, bond issuance cost, and a portion of the reserve fund surety policy

The 2011 Reserve Fund, established for the benefit of holders of the Series 2011 bonds, is funded with the purchase of the Surety Bond, and is to be held and maintained by the Paying Agent. The 2011 Reserve Fund shall be retained solely for the purpose of paying the principal and interest on the Series 2011 Bonds payable from the Sinking Fund to which there would be default. If a disbursement is made under a surety bond deposited in the 2011 Reserve Fund, the Issuer shall be obligated to reinstate the maximum limits of such surety bond immediately following such disbursement as required by the terms of the surety bond.

**Tangipahoa Water District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2012**

The annual requirements to amortize all debt outstanding as of December 31, 2012, including interest payments of \$17,898,027 are as follows:

	2006 Water Revenue Refunding Bonds	2007 Construction Revenue & Refunding Bond	Series 2011A Water Revenue Refunding Bonds	Series 2011B Water Revenue Refunding Bonds	Series 2011C Water Revenue Refunding Bonds	
Year Ending December 31	\$ 5,630,000	\$ 6,880,000	\$ 4,515,000	\$ 2,595,000	\$ 5,365,000	Total
2013	\$ 353,270	\$ 355,839	\$ 323,250	\$ 174,738	\$ 238,731	\$ 1,445,828
2014	352,470	357,666	324,750	173,038	238,731	1,446,655
2015	356,470	359,290	321,150	171,338	238,731	1,446,979
2016	355,070	355,775	322,550	174,638	238,731	1,446,764
2017	353,470	357,119	323,850	172,388	238,731	1,445,558
2018 to 2022	1,767,407	1,790,819	1,615,500	860,088	1,193,656	7,227,470
2023 to 2027	1,737,755	1,781,319	1,611,000	859,288	1,193,656	7,183,018
2028 to 2032	1,767,108	1,790,450	1,294,800	841,994	1,518,656	7,213,008
2033 to 2037	457,575	1,783,019	-	465,984	3,367,769	6,074,347
2038 to 2042	-	1,778,391	-	-	2,935,108	4,713,499
2043 to 2047	-	1,769,901	-	-	-	1,769,901
	<u>\$ 7,500,595</u>	<u>\$ 12,479,588</u>	<u>\$ 6,136,850</u>	<u>\$ 3,893,494</u>	<u>\$ 11,402,500</u>	<u>\$ 41,413,027</u>

**10. Flow of Funds, Restrictions on Use**

With the issuance of the Series 2011 bonds on November 10, 2011, all *Rural Utilities Service (RUS)* bonds were refunded. The Series 2011 bond issue (Series 2011A, Series 2011B, Series 2011C) are issued in parity with the Water Revenue and Refunding Bonds, Series 2006, and the Construction Revenue and Refunding Bonds, Series 2007, and rank equally with and shall enjoy complete parity of lien with the outstanding parity bonds on the Net Revenues and the other funds established and maintained in connection with the outstanding parity bonds, other than the Reserve Fund created by the parity bond resolution.

The Reserve Funds, established for the benefit of holders of the outstanding parity bonds, are funded with the purchase of Surety Bonds, which are to be held and maintained by the Paying Agent. The Reserve Funds shall be retained solely for the purpose of paying the principal and interest on the outstanding bonds payable from the Sinking Funds to which there would be default. If a disbursement is made under a surety bond deposited in the Reserve Funds, the Issuer shall be obligated to reinstate the maximum limits of surety bond immediately following such disbursement as required by the terms of the surety bond. At fiscal year-end, disbursements were not required from the Reserve Funds.

**Tangipahoa Water District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2012**

Each of the parity bonds require creation of a Waterworks Bond Debt Service Account (the "Sinking Fund") sufficient in amount to pay promptly and fully the principal of and the interest on the bonds by transferring from the Revenue Fund to the fiscal agent of the Issuance, monthly in advance, sums as may be required for monthly installments to service and pay future debt installments. The Series 2006 Bonds and the Series 2007 bonds require deposit by the 20<sup>th</sup> day of each month a sum equal to 1/6 of the interest falling due on the next Interest Payment Date and 1/12 of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as they become due. The Series 2011 Bonds also require the same proportionate deposit of interest and principal payments, but require deposit by the 5<sup>th</sup> of each month. At December 31, 2012, the Sinking Funds of the District totaled \$361,937 and exceeded the required deposits at fiscal year-end.

The Issuer also covenants to fix, establish, maintain and collect such rates, fees, rents, or other charges for the services and facilities of the system, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to pay the reasonable and necessary expenses of operating and maintaining the system in each fiscal year, and as will provide "Net Revenues" at least equal to 120% of the principal and interest falling due in such year on all bonds or other obligations payable from the system and as will provide revenues at least sufficient to pay all reserve or sinking funds or other payments required for such fiscal year. "Net Revenue", per the applicable bond provisions, means the revenues, after provision has been made for the payment therefrom of the reasonable and necessary expenses of maintaining and operating the system. For the fiscal year ending December 31, 2012, the District maintained a ratio of "Net Revenues" to debt principal and interest obligations that exceeded the required ratio of 120%.

#### **11. Restricted and Designated Net Position**

At December 31, 2012, Tangipahoa Water District recorded a zero balance in Restricted Net Position (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets. The liabilities for meter deposits exceeded the cash held as restricted by \$445,000, because the district utilized a portion of the assets to upgrade a portion of existing meters to digital water meters, which is a permissible use of the resources under law. In accordance with provisions of GASB Statement No. 34, as amended, a category of restricted net position cannot be negative. If the liabilities relating to the restricted assets are greater than those assets, then no balance should be reported as restricted net position. The negative amount is reported as a reduction of unrestricted net position.

#### **12. Litigation and Claims**

There is no outstanding litigation at December 31, 2012.

**Tangipahoa Water District**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2012**

**13. Construction Commitments**

With the funding of the Series 2011C Bonds, \$5,000,000 was provided for future construction costs, primarily for water and tank improvements for the Pumpkin Center area. At December 31, 2012, a total of \$2,357,505 in engineering, construction costs and accrued interest charges had been incurred by the District for the Pumpkin Center area project.

**14. Prior Period Adjustments to Net Position**

Beginning Net Position Before Prior Period Adjustments	\$ 9,254,610
To expense bond issue costs to recognize the outflow of resources in the period incurred under GASB 65	
Bond Issuance Costs, Unrelated to Insurance	(1,003,723)
Accum. Amortization on Bond Issuance Costs Unrelated to Insurance	88,387
Beginning Net Postion After Prior Period Adjustments	\$ <u>8,339,274</u>

The District adopted GASB 65 for the fiscal year ending December 31, 2012, which required bond issuance costs, other than costs for insurance, to be expensed in the period incurred. The bond issuance costs in the utility fund, which were not fully amortized, required a prior period adjustment to reduce net position by \$915,336. The net effect of these changes as a reduction to net position is reflected in the prior period comparative information presented in this report. Due to the bond issuance cost incurred with the 2011 refinancing \$435,445 of non-operating expenses are now recorded in the 2011 Statement of Revenues, Expenses, and Changes in Net Position.

**15. Subsequent Events**

These financial statements considered subsequent events through June 27, 2013, the date the financial statements were available to be issued and determined that the following event requires disclosure.

The board approved a resolution for the issue of Water Revenue Refunding Bonds, Series 2013 not to exceed four million two hundred fifty thousand dollars.



## **Other Supplemental Information**

**Tangipahoa Water District**

**Schedule 1**

**Budgetary Comparison Schedule  
For the Year Ended December 31, 2012**

**With Comparative Amounts for the Fiscal Year Ended December 31, 2011**

	<b>2012</b>	<b>2012</b>	<b>Variance</b>	<b>2011</b>
	<b>Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Operating Revenues</b>				
Water Sales	\$ 4,590,696	\$ 4,608,804	\$ 18,108	\$ 4,247,115
Tap-In and Service Charges	265,970	257,106	(8,864)	250,281
Reconnect Charges	67,609	68,341	732	61,800
Penalty Charges	118,367	118,962	595	106,451
Billing Fees	55,116	55,601	485	50,593
Other	4,016	5,300	1,284	4,774
<b>Total Operating Revenues</b>	<u>5,101,774</u>	<u>5,114,114</u>	<u>12,340</u>	<u>4,721,014</u>
<b>Operating Expenses</b>				
Abandoned Well Sites	-	-	-	43,708
Amortization	43,576	10,099	33,477	10,648
Bad Debts	10,706	8,922	1,784	8,593
Billing Costs	94,049	94,314	(265)	87,559
Chlorination	143,588	139,291	4,297	163,237
Computer Expense	23,547	22,366	1,181	19,850
Depreciation	1,103,797	1,103,084	713	1,104,265
Director's Expense	28,080	28,200	(120)	26,850
Employee Expense	15,272	15,505	(233)	14,390
Insurance - Hospitalization	216,885	217,315	(430)	210,575
Insurance - Business	125,476	125,628	(152)	123,289
Meter Reading	105,780	105,810	(30)	102,518
Office Expense	33,372	32,896	476	39,240
Other	49,594	52,842	(3,248)	46,627
Payroll Taxes	54,606	56,207	(1,601)	54,619
Professional Fees	47,857	49,467	(1,610)	50,453
Repairs and Maintenance	92,665	94,553	(1,888)	120,449
Salaries and Wages	734,991	768,923	(33,932)	737,886
Retirement Benefits	28,004	28,892	(888)	28,358
Telephone	26,290	26,639	(349)	20,143
Utilities	182,635	184,992	(2,357)	209,071
Vehicle Expense	107,805	104,606	3,199	111,387
Well Maint. and Supplies	113,384	65,672	47,712	50,048
<b>Total Operating Expenses</b>	<u>3,381,959</u>	<u>3,336,223</u>	<u>45,736</u>	<u>3,383,763</u>
<b>Operating Income (Loss)</b>	<u>1,719,815</u>	<u>1,777,891</u>	<u>58,076</u>	<u>1,337,251</u>

(Continued)

See auditor's report.

**Tangipahoa Water District**

**Schedule 1**

**Budgetary Comparison Schedule  
For the Year Ended December 31, 2012  
With Comparative Amounts for the Fiscal Year Ended December 31, 2011**

	<u>2012 Budget</u>	<u>2012 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2011 Actual</u>
<b>Nonoperating Rev. (Exp.)</b>				
Real. Gain (Loss) Sale of Assets \$	8,172	\$ 6,810	\$ (1,362)	\$ 24,927
Bond Issuance Cost Incurred	-	-	-	(435,445)
Interest Income	95,404	96,718	1,314	19,303
Interest Expense	(962,118)	(718,133)	243,985	(843,570)
Other Income	21,640	21,658	18	21,330
<b>Total Nonoperating Rev. (Exp.)</b>	<u>(836,902)</u>	<u>(592,947)</u>	<u>243,955</u>	<u>(1,213,455)</u>
 <b>Change in Net Position</b>	 <u>882,913</u>	 <u>1,184,944</u>	 <u>302,031</u>	 <u>123,796</u>
 <b>Total Net Position, Beginning</b>	 9,254,610	 9,254,610	 -	 8,215,478
Prior Period Adj. (Note 14)	(915,336)	(915,336)	-	-
<b>Total Net Position, Ending</b>	<u>\$ 9,222,187</u>	<u>\$ 9,524,218</u>	<u>\$ 302,031</u>	<u>\$ 8,339,274</u>

(Concluded)  
See Auditor's Report.

**Tangipahoa Water District**

**Schedule 2**

**Schedule of Insurance  
For the Year Ended December 31, 2012**

<b>Insurance Company/Policy Number</b>	<b>Coverage</b>	<b>Amount</b>	<b>Period</b>
<b>Scottsdale Insurance Company</b>	<b>Commercial Property Coverages:</b>		<b>5/1/2012 to 5/1/2013</b>
Pol # CPS1558896	Building Coverage	\$ 490,000	
	Business Personal Property	120,000	
<b>Travelers Casualty &amp; Surety Company</b>	<b>Commercial Liability Coverages:</b>		<b>5/1/2012 to 5/1/2013</b>
Pol # ZUP-14R32703-12-PB	General Liability Limit Aggregate	2,000,000	
	Products Complete Operations Aggregate	1,000,000	
	Personal & Advertising Injury Limit	1,000,000	
	Each Occurrence, Incl Failure to Supply	1,000,000	
	Public Entity Management (Claims-made cov )	1,000,000	
	Employment Practices Liability (Claims-made)	1,000,000	
<b>The Travelers Indemnity Co.</b>	<b>Commercial Excess Liability (Umbrella)</b>	<b>5,000,000</b>	<b>5/1/2012 to 5/1/2013</b>
Pol # ZUP-14R32715-12-PB	<b>Retention Limit of \$10,000</b>		
<b>Travelers Indemnity Co. of America</b>	<b>Commercial Package Coverages:</b>		<b>5/1/2012 to 5/1/2013</b>
Pol # H-660-9738M496-IND- 12	Blanket Property Coverage (other than bldgs)	8,042,099	
	Equipment Floater- Scheduled	83,000	
	Equipment Floater - Non Owned (Rent/Lease)	50,000	
	<b>Crime Insurance:</b>		
	Employee Dishonesty (Blanket Fidelity Cov )	500,000	
	Theft, Disappearance Inside	35,000	
	Theft, Disappearance Outside	35,000	
	Computer Fraud	35,000	
<b>Travelers Property Casualty Co. Of America</b>	<b>Commercial Auto:</b>		<b>5/1/2012 to 5/1/2013</b>
Pol # H-810-3031P077-IND-12	Commercial Auto Liability Limit	500,000	
	Comprehensive & Collision-\$1000 Ded	As Scheduled	
<b>LUBA Casualty Insurance Co.</b>	<b>Workers Compensation:</b>		<b>5/1/2012 to 5/1/2013</b>
Pol # 2800000016758112	Part One - at Statutory Limits		
	Part Two - Employers Liability		
	Statutory Louisiana Limits	Included	
	Employers Liability	500,000	

See Auditor's Report

**Tangipahoa Water District****Schedule 3****Schedule of Compensation Paid to Board Members  
For the Year Ended December 31, 2012**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Per Diem</u>	<u>Term Expiration</u>
Tommy Levatino, President (985) 878-4341	53299 West Fontana Road Independence, LA 70443	\$ 3,300	May 2016
Eugene Traylor, Vice - President (225) 294-5528	41041 Pumpkin Center Road Hammond, LA 70403	3,450	February 2016
John "Jerry" Wilde, Treasurer (985) 969-0336	43182 Jerry Wilde Road Ponchatoula, LA 70454	3,600	March 2016
Gerald Owens, Secretary (225) 209-9009	11614 Wardline Road Hammond, LA 70401	3,600	March 2013
Larry McDaniel (985) 229-6207	73312 S. Lewiston Road Kentwood, LA 70444	2,550	September 2012
Carol Kinchen (985) 320-9614	735 E. Beech St. Ponchatoula, LA 70454	3,600	July 2015
Stanford Bennett (985) 748-7339	64106 V. Lambert Road Amite, LA 70422	3,600	September 2016
Guy Buckley, Jr. (985) 229-3441	14342 Hwy 38 Kentwood, LA 70444	900	September 2016
Adrien Wells (985) 969-7048	811-B Mooney Ave Hammond, LA 70403	3,600	March 2013
Total Compensation Paid		\$ <u>28,200</u>	

See Auditor's Report.

# Tangipahoa Water District

## Schedule 4

### Schedule of Water Rates For the Year Ended December 31, 2012

		Water	
Residential Rates		Commercial Rates	
<b>Metered</b>		<b>Meter</b>	
\$ 11 00	- First 3,000 Gallons	1"	\$ 25 00 - First 10,000 Gallons
\$ 2 08	- Per 1,000 Gallons of Water over 3,000		\$ 2 08 - Per 1,000 Gallons of Water over 10,000 Gallons
\$ 25 00	- Residential Flat Rate	1 1/2"	\$ 45 00 - First 20,000 Gallons
			\$ 2 08 - Per 1,000 Gallons of Water over 20,000 Gallons
<b>Apartments</b>			
<b>Metered</b>		2"	\$ 65.00 - First 30,000 Gallons
\$ 11 00	- First 3,000 Gallons		\$ 2 08 - Per 1,000 Gallons of Water over 30,000 Gallons
\$ 2 08	- Per 1,000 Gallons of Water over 3,000 Gallons		
<b>Dairy Farms</b>		3"	\$ 85 00 - First 40,000 Gallons
\$ 45 00	- First 30,000 Gallons		\$ 2 08 - Per 1,000 Gallons of Water over 40,000 Gallons
\$ 1 35	- Per 1,000 Gallons of Water over 30,000 Gallons	4"	\$ 105 00 - First 50,000 Gallons
			\$ 2 08 - Per 1,000 Gallons of Water over 50,000 Gallons
<b>Schools</b>			
Billed according to meter size			

See Auditor's Report

**Tangipahoa Water District****Schedule 5****Schedule of Water Customers  
For the Year Ended December 31, 2012**

<u>Customers</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>Increase (Decrease)</u>
Residential	15,833	15,342	491
Commercial	660	616	44
Apartments	233	235	(2)
Dairy Farms	3	3	-
<b>Total Customers</b>	<u>16,729</u>	<u>16,196</u>	<u>533</u>
Commercial users having a meter larger than the residential size (3/4")			
	<u>576</u>	<u>576</u>	<u>-</u>

See Auditor's Report

## **Other Independent Auditor's Report**



**Independent Auditor's Report on Internal  
Control over Financial Reporting and on  
Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Commissioners  
Tangipahoa Water District  
Tangipahoa Parish Council

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Tangipahoa Water District, Natalbany, Louisiana, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated June 27, 2013.

**Internal Control over Financial Reporting**

In planning and performing my audit, I considered the Tangipahoa Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tangipahoa Water District internal control. Accordingly, I do not express an opinion on the effectiveness of the Tangipahoa Water District's internal control.

My consideration of internal control was for the limited purposed described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of current year findings, recommendations and responses, I identified certain deficiencies in internal control that I consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of Findings, Recommendations and Responses to be material weaknesses as items 2012-1 and 2012-2.

# Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tangipahoa Water District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Year Findings, Recommendations, and Responses as item 2012-3.

## Tangipahoa Water District's Response to Findings

Tangipahoa Water District's response to the findings identified in my audit is described in the accompanying Schedule of Findings, Recommendations, and Responses. Tangipahoa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, and the Rural Utilities office. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Sincerely,

*Phil Hebert*

Phil Hebert, CPA

A Professional Accounting Corporation

June 27, 2013

**Tangipahoa Water District**  
**Schedule of Current Year Audit Findings, Recommendations and Responses**  
**For the Year Ended December 31, 2012**

I have audited the basic financial statements of Tangipahoa Water District as of and for the year ended December 31, 2012, and have issued my report thereon dated June 27, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2012 resulted in an unqualified opinion.

**Section I Summary of Auditor's Reports**

**a. Report on Internal Control and Compliance Material to the Financial Statements**

**Internal Control**

Material Weakness Yes      Significant Deficiencies No

**Compliance**

Compliance Material to Financial Statements Yes

**b. Federal Awards**

Not applicable

Was a management letter issued? No

**Tangipahoa Water District**  
**Schedule of Current Year Audit Findings, Recommendations, and Responses**  
**For the Year Ended December 31, 2012**

**Section II Financial Statement Findings**

**Internal Control**

**2012-1 Travel Policy**

**Criteria:** The District should have a travel policy that meets the needs of the entity. It should provide specific guidance as to what is allowable relating to business, conference and seminar travel.

**Condition:** The District's manager uses his personally owned vehicle for District business. He submits a mileage log monthly. The mileage logs contain the date traveled, a beginning odometer and ending odometer reading and the miles traveled. The log does not contain the destination traveled to.

**Cause:** The District does not have a travel policy that provides specific guidance as to what should be included on the mileage log.

**Effect:** Unauthorized travel expenses could occur without the proper approval or acknowledgement of management.

**Recommendation:** I recommend management adopt a formal Travel and Reimbursement policy for the District. The policy should include transportation guidelines for vehicles owned by the District and personally owned vehicles used for business. If a personally owned vehicle is used for business purposes, the employee must document the business purpose and submit vehicle beginning and ending odometer readings, and the number of miles traveled for business.

**Management Response:** Policy committee will develop a travel policy by using the Parish of Tangipahoa's as a guide. Policy will be adapted to meet our needs. Manager will have responsibility of approving travel requests for employees of Tangipahoa Water District. Board will have responsibility of approving Tangipahoa Water District's manager's travel request at monthly meetings. Presently, travel request is too vague. Policy committee will develop a travel request form which will include more detail being more specific on travel locations using the Parish's forms as a model and adapt as needed for our use. Responsible party is Thomas Levatino, Board President.

**Tangipahoa Water District**  
**Schedule of Current Year Audit Findings, Recommendations, and Responses**  
**For the Year Ended December 31, 2012**

**2012-2 Internal Control Deficiencies Over Credit Card Activity**

**Criteria:** Adequate controls should be in place that separates the functions of initiating purchases independent from the person reviewing transaction activity, approving payment, and signing the check.

**Condition:** The District manager has the authority to initiate credit card purchases and is also authorized to review the credit card statement, approve payment, and sign the check.

**Cause:** The segregation of duties is inadequate to provide effective internal control.

**Effect:** Purchases could be made for invalid business purposes.

**Recommendation:** A policy should be implemented to separate the review function independent from the individual that has authority to initiate transactions, approve payment and sign checks.

**Management's Response:** Tangipahoa Water District manager presently approves and verifies all credit card purchases. We will make a change to this by allowing the Tangipahoa Water District manager to approve only Tangipahoa Water District employee's credit card purchases. Manager's credit card purchases must be approved by board at monthly meetings. Policy committee will review current credit card spending policy restrictions and make needed changes, if any are needed. If no policy exists, a policy will be formulated and presented to board for approval.

In addition to this in order to comply with accounting regulations, all invoices will be initialed and dated by the Tangipahoa Water District manager and board treasurer when checks are presented for endorsements.

A suggestion will be presented to board to get a stamp made for these endorsements that contains the followings wording, and this is stamped on each invoice

I certify that these purchases are correct and true and that these items are purchased for Tangipahoa Water District purposes only.

Lines will be provided for the manager and treasurer to sign and date below this statement. Responsible party is Thomas Levatino, Board President.

**Tangipahoa Water District  
Schedule of Current Year Audit Findings, Recommendations, and Responses  
For the Year Ended December 31, 2012**

**Compliance**

**2012-3 Payment of Overtime**

**Criteria:** The District's overtime policy states that all hourly employees are paid for overtime at one and one-half times their regular hourly rate for hours worked after 40 hours in a work week from Monday through Sunday in accordance with the provisions of the Fair Labor Standards Act.

**Condition:** I noted some employees were paid overtime in weeks where they had taken a vacation day and did not work more than 40 hours in a work week in accordance with the provisions of the Fair Labor Standards Act. The FLSA does not require extra pay for weekend or night work. Extra pay for working weekends or nights is a matter of agreement between the employer and the employee.

**Cause:** Vacation and sick time caused some employees to have more than 40 hours in a work week. In some instances they were paid time and a half for the additional hours.

**Effect:** The employees were not paid in accordance with the District's personnel manual or the Fair Labor Standards Act.

**Recommendation:** I recommend management stop paying overtime for weeks that employees did not work more than 40 hours.

**Management's Response:** Notify all hourly employees of current rules by an official posting of payroll stuffer. They must work 40 hours to receive any overtime pay. Management has the right to give an employee another day off when they reach overtime status. Hourly employees have flexible work schedules and can be changed at any time for operational needs. This is no different than Parish or State employment. Salaried employees are not eligible for overtime pay. A payroll register will be provided to all board members on a monthly basis for review in regular mail packet. Responsible party is Thomas Levatino, Board President.

**Tangipahoa Water District  
Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2012**

**Management Letter**

**Suggestion 2011-1**

**Condition:** Uncollected Sewer and Garbage receivables have grown from \$136,487 in 2010 to \$229,157 in 2011.

**Recommendation:** I recommend management of Tangipahoa Water District contact the management of the Sewer District No. 1 of Tangipahoa Parish and the City of Hammond to request authority to write off accounts that are 120 days past due. It is ultimately the responsibility of the management of Sewer District No. 1 of Tangipahoa Parish and the City of Hammond to implement cut-off policies and procedures to ensure that all delinquent accounts are collected on a timely basis or that service is disconnected.

**Action Taken:** Tangipahoa Water District sends the management of Sewer District No. 1 of Tangipahoa and the City of Hammond aged analysis reports listing the outstanding balances and transaction reports on a monthly basis. Management of Sewer District No. 1 and City of Hammond have not authorized the write off of past due accounts.

**Resolved**